

Facts About Ex-Im Bank Loans To Support Petrobras's Purchases of Goods and Services Made by American Workers

BACKGROUND:

What is Ex-Im Bank? Ex-Im Bank is an independent federal agency that helps create and maintain U.S. jobs by filling gaps in private export financing at no cost to American taxpayers. The Bank provides a variety of financing mechanisms, including working capital guarantees, export-credit insurance, and financing to help foreign buyers purchase U.S. goods and services.

Ex-Im Bank operates without taxpayer funding and earns revenue that helps reduce the deficit. By charging fees and interest on all loan-related transactions, Ex-Im Bank is self-sustaining and is able to cover all operation costs and potential losses while also producing revenue. The Bank has generated \$3.4 billion for U.S. taxpayers over the past five years.

Export financing helps create or save American jobs. In fiscal year 2010, Ex-Im Bank authorized a record high of approximately \$24.5 billion in loans, guarantees and insurance, (including \$5 billion for small businesses) supporting an estimated 230,000 American jobs at 3,300 American companies.

How does Ex-Im Bank derive its jobs numbers? In addition to receiving information directly from U.S. exporters engaged in transactions with Ex-Im Bank regarding related job retention or creation, the agency estimates the number of jobs it supports by using a national jobs requirement estimation tool developed by the U.S. government. This tool relies on a detailed mapping of the inter-industry relationships within the economy (called "input-output tables") generated by the Bureau of Economic Analysis and employment figures generated by the Bureau of Labor Statistics to estimate the average number of U.S. jobs required to produce a given dollar of output by industry. Ex-Im Bank takes this tool and overlays its exports supported by industry to derive the number of jobs associated with Ex-Im Bank financing. The Department of Commerce also uses this tool to derive the total number of U.S. jobs supported economy-wide by U.S. exports.

Export Financing and Export-related Jobs are on the Rise: Building on two record-setting years, the Bank approved \$13.4 billion in total financing authorizations during the first half of fiscal year 2011. This financing is supporting nearly \$15.9 billion in U.S. exports and more than 115,000 American jobs in communities across the country, a 14 percent increase in jobs supported over the first half of fiscal year 2010.

EX-IM BANK PROVIDES U.S. COMPANIES WITH A COMPETITIVE EDGE IN AN INCREASINGLY AGGRESSIVE GLOBAL MARKETPLACE

United States equipment and services for the petroleum industry are sought after by the world's leading companies because of their quality and reliability. To help U.S. companies win contracts in this industry, Ex-Im Bank is able to provide financing to a potential foreign customer. This financing is solely and exclusively for the purchase of U.S. goods or services and its use is contingent upon this requirement.

With emerging markets in many areas of the globe, including Latin America, efforts by other nations to help their companies obtain export financing is growing. Therefore, when companies, like Petrobras, are in need of high-quality products and services, Ex-Im Bank increases the opportunities for U.S. businesses to win the contracts instead of their competitors around the world.

THE OPPORTUNITY: PETROBRAS PLANS TO SPEND \$175 BILLION TO DEVELOP ITS OFF-SHORE OIL FIELDS

In **April 2009**, Ex-Im Bank formally offered to consider up to \$2 billion in financing to secure the purchase of U.S. goods and services by Petroleo Brasileiro S.A. (Petrobras), Brazil's national oil company. Ex-Im Bank told Petrobras it would consider increasing its offer above \$2 billion if requested. Potentially, Petrobras \$2 billion of purchases financed by Ex-Im Bank will help create and maintain over 16,000 American jobs.

OVER \$300 MILLION EX-IM BANK CREDIT GUARANTEE SUPPORTS EXPORT SALES BY ABOUT 150 U.S. COMPANIES

To date, Ex-Im Bank has approved a request from JP Morgan Chase, acting as lender, for a more than **\$300 million, medium-term guarantee**. This facility was made operative on **May 27, 2011** and is being used to finance the Petrobras's general purchases of U.S. manufactured oil and gas equipment and services.

Here are some of the approximately 150 U.S. companies whose export sales are being supported by the Ex-Im Bank loan guarantee (partial listing):

Company	Location
Solar Turbines	San Diego, CA
Edison Chouest	Galliano, LA
Otto Candies	Des Allemands, LA
Seal-Tite	Madisonville, LA
Electro-Motive Diesel	LaGrange, IL
National Oilwell Varco	Houston, TX
Landmark Graphics	Houston, TX
Dresser Rand	Houston, TX
GE Packaged Power	Houston, TX
FMC Technologies	Houston, TX

CHARGES AND FACTS:

Charge: The U.S. government is giving away more than \$2 billion in taxpayer dollars to Brazil's largest oil and gas company to drill for oil in Brazil.

Fact: *The Bank has established a \$2 billion financing opportunity for Petrobras to use solely for the purchase of American-made goods and services. So far, Ex-Im has approved \$300 million to finance Petrobras' purchase of U.S. oil and gas equipment and services.*

The funds go to American exporters as payment for their sales to the Petrobras.

If Petrobras fails to award contracts to U.S. companies for the remaining amount, it will not access those dollars.

Of note, the Bank is self-sustaining and no taxpayer dollars are involved.

Charge: The loans to Petrobras represent a giveaway of U.S. tax dollars.

Fact: *Ex-Im is a self-funding, independent agency which operates at no cost to the taxpayer. Ex-Im does not make grants, and charges fees and interest for the financing it provides. In fact, since 2006 the Ex-Im Bank has generated more than \$3.4 billion in revenue for U.S. taxpayers.*

Charge: America is exporting jobs to Brazil as a result of the loans.

Fact: *Only American made goods and services qualify for Ex-Im Bank loans or guarantees.*

Ex-Im Bank only supports U.S. jobs by providing financing to ensure that American goods and services can compete on a level playing field against foreign competition.

Charge: The loan to Petrobras represents a reversal of the Obama Administration's policies on off-shore drilling.

Fact: *There is no connection between federal policies on offshore drilling in U.S. waters and financing U.S. export sales for drilling by other countries. In fact, should Ex-Im Bank refuse to finance sales by U.S. companies it is likely that the sales will go instead to their foreign competitors.*

It is notable that the Bank's bipartisan Board of Directors unanimously approved the preliminary commitment to Petrobras on April 14, 2009, before any Obama appointees joined the Bank. In fact, at the time the Bank's Board consisted of three Republicans and two Democrats, all of whom were appointed by President George W. Bush.

Read [Chairman Hochberg's Letter to the Editor](#) that appeared in the August 21, 2009, editions of the Wall Street Journal.